

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Proposed 2013 Development Services update of hourly rates and building permit fees.

STAFF CONTACT

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FISCAL IMPACT

Changes are proposed to the 2013 consolidated fee ordinance for all development services functions including building, land use, fire, transportation, and utilities plan review and inspection. The proposed changes reflect the results of the annual Cost of Service Study.

The annual Cost of Service Study is conducted to analyze costs associated with delivering development review and inspection services, and maintaining alignment with fees charged for those services and established cost recovery policies. Hourly rates are charged for Land Use, Transportation, Utilities, and Fire review and inspection services. Building permit fees supporting building review and inspection services are based on the estimated project value. The proposed adjustments to hourly and building permit fees are provided below.

Function	Proposed Hourly Rate Adjustments			
	2012 Adopted Rate	2013 Proposed Rate	Estimated Revenue Increase	% Change in Rate
Land Use	\$144	\$153	\$76,000	6.3%
Transportation	\$149	\$159	\$103,000	6.7%
Fire	\$130	\$139	\$41,000	6.9%
Utilities	\$124	\$132	\$59,000	6.5%
Revenue Increase			\$279,000	

The following adjustments are proposed to **building permit fees** that are based on the value of construction:

- Update the building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in construction valuation from August 2011 to August 2012. *Values derived from the BVD tables are used to determine building permit fees for new buildings.*

- Adjust the Washington State modifier for building value from 1.14 to 1.13 consistent with the change from July 2011 to July 2012 as published by Marshall & Swift.
- Adjust building review and inspection fees by CPI-W (2.7%).

These proposed changes to building review and inspection fees are anticipated to increase revenue by approximately \$433,000 in 2013.

POLICY CONSIDERATION

RCW 19.27.100

State law allows cities to charge fees for development services provided by the City.

Council Policy Direction

The City Council has set cost recovery principles for development services (see Attachment A). The proposed changes to the City's fee ordinance reflect the existing cost recovery and financial management policy direction.

Section 2 of the consolidated fee ordinance (Ordinance No. 6028) establishes that fees may be adjusted to reflect the current published annual change in the Seattle Consumer Price Index for Wage Earners and Clerical Workers as needed in order to maintain the cost recovery objectives established by the City Council.

DIRECTION NEEDED FROM COUNCIL

<input type="checkbox"/>	Action
<input checked="" type="checkbox"/>	Discussion
<input checked="" type="checkbox"/>	Information

Staff is seeking direction from Council to proceed with preparation of an ordinance updating development services fees for Council's consideration and action at the December 3, 2012 Council Meeting.

BACKGROUND/ANALYSIS

Development Services Financial Policies

In 2003, the City Council endorsed a set of fiscal principles and a new rate management model for development services hourly fees for Land Use, Transportation, Utilities and Fire. Under this model, the cost recovery targets were set based on the type of service being provided, not based on the department providing the service. Overall these policy changes significantly simplified the City's development services rate model, made it easier to administer, and made it more predictable for the client. Refer to **Attachment A** for detailed discussion of the Development Services financial management and cost recovery model.

Hourly Rates

For 2010 and 2011 Development Services hourly rates were held constant to help reduce development costs as builders and developers struggled through the economic downturn. In 2012, the Council increased hourly rates by 5%, a measured step that significantly closed the gap between fees charged and the cost of providing services, but below cost recovery objectives. The hourly rates adopted in 2012 increased reliance on financial reserves by an additional \$110,000 to fund review and inspection services.

The rate adjustments proposed for 2013 address inflationary increases over the past year, and close the remaining gap between rates and the full costs recovery policies. The following table illustrates the

proposed 2013 rate adjustments needed to address cost increases due to inflation, combined with the adjustment necessary to close the gap to achieve full cost recovery.

**Proposed Hourly Rate
Cost Components**

Function	2012 Adopted Rate	2013 Inflation Adjustment	2013 Full Recovery Adjustment	2013 Proposed Rate	\$ Total Increase
Land Use	\$144	\$4	\$5	\$153	\$9
Transportation	\$149	\$4	\$6	\$159	\$10
Fire	\$130	\$4	\$5	\$139	\$9
Utilities	\$124	\$3	\$5	\$132	\$8

The examples below illustrate the results of the Cost of Service Study on two permits. The first example (Land Use review of a temporary use permit application) shows the fee changing solely because of the change in the hourly rate.

Temporary Use Permit - Land Use Review

	Hourly Rate	Review Hours	Flat Fee
2012	\$144	0.8	\$115
2013 Proposed	\$153	0.8	\$122
Proposed Change in Fee			\$7

The next example (Utility Inspection of a residential side sewer in the right of way) shows an overall reduction in the fee as a result of a reduction in inspection time needed for this permit type offsetting the costs increase resulting from the hourly rate adjustment.

Residential Side Sewer permit - Utilities Inspection

	Hourly Rate	Review Hours	Flat Fee
2012	\$124	3.0	\$372
2013 Proposed	\$132	2.5	\$330
Proposed Change in Fee			(\$42)

Building Review and Inspection Fees

Valuation-based fees for building review and inspection services are based on two variables: (1) the estimated value of the proposed building, and (2) the fee applied to that value from the permit fee table. Using construction value to set building permit fees has been the industry standard of practice for many years and has generated revenue adequate to support plan review and inspection services for these

permits. For Bellevue the method to establish the building project value is established in Ordinance No. 6028 (section 6.2) -- *building value will be made on the basis of building valuation data published by a nationally recognized code organization or other valuation criteria approved by the appropriate Director.*

The Building Valuation Data Table published and updated by the International Code Council (ICC) and modified by the Marshall & Swift construction value modifier for Washington, are used to establish the building value used to calculate building permit fees. The ICC BVD table and the Washington State modifier are updated on an annual basis to ensure project values remain in alignment with the general cost of construction.

The following adjustments are proposed for building review and inspection fees:

- Adopt the updated building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in valuation from August, 2011 to August, 2012. *Values derived from the BVD tables are used to determine building permit fees for new buildings.*
- Adjust the Washington State modifier from 1.14 to 1.13 consistent with the change from July 2011 to July 2012 as published by Marshall & Swift.
- Adjust building review and inspection fees, including permits for electrical, mechanical, and plumbing systems, by CPI-W (2.7%).

These proposed changes to building review and inspection fees are anticipated to increase revenue by approximately \$433,000 in 2013.

The examples below illustrate the change in valuation-based construction fees as a result of the inflation adjustment on two permit types, single family addition and tenant improvement, and show the change in fees for building review and building inspection services.

Single Family Addition
\$70,400 valuation, 600 sq ft addition

2012	\$1,695
2013 Proposed	<u>\$1,741</u>
Proposed Change in Fee	\$46

Tenant Improvement
\$75,000 valuation

2012	\$1,761
2013 Proposed	<u>\$1,809</u>
Proposed Change in Fee	\$48

In addition to the adjustments in fees, as part of the annual fee analysis process, staff review the consolidated fee ordinance and make adjustments to ensure the current provisions are still applicable and that changes in business practices are reflected. Several fees are proposed to be adjusted to reflect the results of the annual fee analysis which sets the flat fees based on the average number of review /inspection hours to complete the permit. Please refer to Attachment B – Summary of Proposed Changes to the Development Services Consolidated Fee Ordinance No. 6028 for a summary of those proposed adjustments.

Historical Cost Recovery Adjustments

In 2009, Development Services review and inspection fees were adjusted to reflect the annual change in the Seattle Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). This provision ensured that review and inspection fees reflected the cost of providing these services.

In 2010 and 2011, exceptions to the Development Services Cost Recovery objectives were made during the economic downturn with no fee increases to minimize costs for development growth through the recession. During this time, Development Services also made cost reductions of \$2.8 million, with reductions of 26.25 total staff positions, professional services and overtime costs. This strategy mitigated the use of reserves and enabled Development Services to perform within guiding principles of providing consistent, high-quality services.

Cost Containment Efforts continue in 2012

Early in 2012, in an effort to stay within the guidelines of Development Services Financial Policies, Development Services took action that was two-fold:

- Achieved additional cost savings of about \$1.4 million which was realized through reducing an additional 9.0 filled FTE positions, holding open 6.0 FTE vacant positions, reassigning 2.0 filled FTE positions, reducing M&O costs for records management, consultant contracts and travel/training.
- Implemented a partial cost recovery rate adjustment versus a full cost recovery adjustment to ease the burden of a three-year rate increase to the development community. This included drawing on reserves in order to continue delivering fast, predictable, One-City services to our customer.

However, as the economy recovers additional adjustments will be needed consistent with the Development Services management and cost recovery model to maintain the appropriate alignment between performance, revenue, and expenditures.

The proposed hourly rate and building permit fee adjustments are expected to generate an additional \$712,000 in permit fee revenue based on the 2013 development forecast. If fee adjustments are not implemented, additional reductions in costs and services levels will be necessary to ensure Development Services maintains the appropriate balance between cost and available revenues.

ALTERNATIVES

1. Direct staff to prepare an ordinance for Council consideration that amends permit fees and rates as proposed.
2. Provide alternative direction to staff.

RECOMMENDATION

Direct staff to prepare an ordinance for Council consideration that amends permit fees and rates as proposed.

MOTION

Move to direct staff to prepare an ordinance for Council consideration that amends permit fees and rates as proposed.

ATTACHMENT

Attachment A -- Development Services Financial Management & Cost Recovery Model

Attachment B - Summary of Proposed Changes to the Development Services Consolidated Fee Ordinance No. 6028.

Development Services Financial Management & Cost Recovery Model

Financial Management Guiding Principles

The financial management guiding principles continue to serve as the cornerstone of how the Development Services financial structure is managed. The guiding principles are:

- Fees should be regionally competitive and provide for fast, predictable, high-quality services.
- Permit applicants should pay for the direct services that they receive, adjusted to account for broader community benefits.
- Fiscal management should be development-services wide, not department by department.
- The funding structure should support the management of development services as a line of business, through economic cycles and fluctuations in workload.
- Fees should be predictable and understandable to the customer.
- The fee system should be efficient and cost-effective to manage.

Cost Recovery Objectives

Setting cost recovery objectives based on the type of service being delivered provides a more understandable and consistent approach for setting fees, with common objectives across departments and functions. This is consistent with the “One-City” philosophy of the Development Services Improvement effort. It also resulted in a model that it is simpler and easier to maintain and update. The cost recovery targets established by the Council are as follows:

Type of Service	Cost Recovery Target	
Policy Development & Public Information	0%	(100% General Fund/Utilities Fund supported)
Land Use Discretionary Review	50%	(50% General Fund supported/50% fee supported)
Engineering Review & Inspection	100%	(100% fee supported)
Technical/Administrative Support	100%	(100% fee supported)

Fees and Service Levels

The ongoing success of the Development Services line of business is based in the ability to respond quickly to shifts in performance, workload, or permit fee revenues as Bellevue travels through development cycles. Tools have been developed allowing more comprehensive oversight of service levels and financial performance, and more accurate forecasting of changes in development cycles. These tools are also essential to sustaining service levels and maintaining revenues that are adequate to support the operation and keep fees competitive in our region. When significant changes in workload and permit fee revenues are forecast, changes in staffing and other resources are made to ensure the appropriate alignment between performance, revenue, and expenditures is maintained. Maintaining alignment between service

levels and fees ensures clients will continue to receive high quality services in a consistent and timely manner.

Adjustment to Development Services fees are made to maintain alignment with the cost recovery objectives in the financial model and sustains adequate resources to meet demand through the development cycle. The primary cost drivers for Development Services, similar to those throughout the City, are increases in personnel (salaries & benefits), maintenance and operations (M&O), and fixed costs for internal services (information technology, facilities, vehicles, fuel) which are also driven by inflation.

Summary of Proposed Changes to the Development Services Consolidated Fee Ordinance

This attachment provides a summary of the changes to the existing Development Services consolidated fee ordinance (Ordinance No. 6028).

The proposed changes to the ordinance reflect the:

- Results of the Cost of Service Study (COSS) performed for Land Use, Fire, Transportation, and Utilities hourly rates.
- Updated building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in construction valuation from August 2011 to July 2012.
- Application of the Washington State modifier from 1.14 to 1.13 consistent with the change from July 2011 to July 2012 as published by Marshall & Swift.
- Adjustment to building review and inspection fees by CPI-W (2.7%).
- Results of process improvements to consolidate folder types/fees for alignment of permit types to other jurisdictions within the Eplan/Egov paperless permitting project. The intent is to maintain existing fee structure while streamlining permit types.

Section 5. General Provisions for Construction Permit Fees

Section 5 Table 2 – Operations Fees

- Adjust the Operations Fee on permits issued by the Building Section of the Development Services Department by CPI-W (2.7%).

Section 10. Clearing & Grading Fees

Section 10 Table 13 – Clearing & Grading Review Fees

- Adjust clearing and grading review fees by CPI-W (2.7%).
- Adjustments to the following fees are proposed to reflect the results of the annual fee analysis which sets the fees based on the average number of review hours to complete the permit.
 - Added a \$139 flat fee for clear & grade review of Demolition without SEPA permit.
 - Added a \$139 flat fee for clear & grade review on a Single Family Residence as a result of NPDES regulations.

Section 11. Fire Prevention Fees

Increased the Fire Review and Fire Inspection hourly rate from \$130 to \$139 reflecting the results of the Cost of Service Study.

Section 11.2 Table 15 – Fire Review Fees

- Adjustments to the following fees are proposed to reflect the results of the annual fee analysis which sets the fees based on the average number of review hours to complete the permit.
 - Removed Fire review from a Boundary Line Adjustment permit.
 - Removed Fire review from Sign with Building permit.
 - Removed Fire review from Childcare registration permit.

Section 12. Land Use Fees

Section 12.3 Table 20 – Land Use Review Fees

- Increased the Land Use review hourly rate from \$144 to \$153 reflecting the results of the Cost of Service Study.
- Added Survey review for the following Land Use permit types as a result of the Cost of Service Study.

Permit Type	Current Fee	Proposed Fee
Boundary Line Adjustment ^C		\$1000 deposit
Planned Unit Development	\$271 per lot	\$1000 deposit
Preliminary Plat	\$271 per lot	\$1000 deposit
Preliminary Short Plat	\$271 per lot	\$1000 deposit
Final Plat ^D		\$1000 deposit
Final Short Plat ^D		\$1000 deposit

^C This fee is charged only for non-single family permits.

^D This fee is charged only when the scope of work requires Survey review.

Section 13. Transportation Department Fees

Increased the Transportation Review, Right-of-Way Review and Transportation Inspection hourly rate from \$149 to \$159 reflecting the results of the Cost of Service Study.

Section 13.5 Table 21 – Transportation Review

- Adjustments to the following fees are proposed to reflect the results of the annual fee analysis which sets fees based on the average number of review hours to complete the permit.
 - Removed Transportation review from a Boundary Line Adjustment permit.
 - Added a \$139 flat fee for Transportation review of a Minor Project permit only when scope of work requires review.

Section 13.5 Table 22 – Right-of-Way Use Review

- Removed Transportation ROW review from a Boundary Line Adjustment permit.

Section 13.6 Table 23 – Transportation Inspection and other Fees

- Added Planned Signal Outage fee of \$500 per intersection for up to a 24-hour duration.

Section 14. Utility Department Fees

Increased the Utilities review and inspection hourly rate from \$124 to \$132 reflecting the results of the Cost of Service Study.

Section 14.3. Table 28 – Water Service and Meter Installation Permits

Adjustments to the following installation minimum fees are proposed to reflect the results of the Utilities Operations & Maintenance cost analysis.

Permit Type	Current Fee^A	Proposed Fee^A
¾" Drop-In Meter	\$126	\$221
1" Drop-In Meter	\$268	\$233
1 ½" Drop-In Meter	\$363	\$474
2" Drop-In Meter – Domestic or Combo Fire/Domestic	\$517	\$579
2" Drop-In Turbo Meter – Irrigation or Fire Only	\$856	\$746
¾" Full Service with Meter	\$1,823	\$1,459
1" Full Service with Meter	\$2,319	\$1,698
1 ½" Full Service with Meter	\$3,881	\$2,761
2" Full Service with Meter – Domestic or Combo Fire/Domestic	\$3,770	\$3,075
2" Full Service with Turbo Meter – Irrigation or Fire Only	\$4,030	\$3,075

^ACosts in excess of these charges may be billed to the applicant. The minimum fee is 100% refundable if the installation request is cancelled.